



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	SB0200
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<b>Title:</b>	Lower individual income tax rates
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<b>Primary Sponsor:</b>	Ankney, Duane
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<b>Status:</b>	As Amended in Senate Committee
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- ☐ Significant Local Gov Impact   
 ☐ Needs to be included in HB 2   
 ☐ Technical Concerns  
☐ Included in the Executive Budget   
 ☐ Significant Long-Term Impacts   
 ☐ Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$17,389,000)	(\$62,140,000)	(\$55,664,000)	(\$57,777,000)
<b>Net Impact-General Fund Balance:</b>	<u>(\$17,389,000)</u>	<u>(\$62,140,000)</u>	<u>(\$55,664,000)</u>	<u>(\$57,777,000)</u>

**Description of fiscal impact:** SB 200, as amended in Senate committee, reduces income tax rates, widens the tax brackets and reduces the capital gains tax credit rate.

### FISCAL ANALYSIS

#### Assumptions:

1. This bill would reduce income tax rates, make the rate brackets wider, and reduce the capital gains credit rate. The changes would first apply to TY 2016.
2. The income tax forecasting model was modified to reflect the provisions in this bill. The following table shows the change in calculated income tax liability for tax years 2016 through 2019.

#### **Change in Tax Liability by Tax Year, SB 200 as Amended (\$ million)**

<b>TY 2016</b>	<b>TY 2017</b>	<b>TY 2018</b>	<b>TY 2019</b>
-\$52.168	-\$54.651	-\$56.678	-\$58.876

3. The rate reductions would take effect half way through FY 2016. The department would produce new withholding tables to apply beginning January 1, 2016. However, the last time that rates changed, in 2005,

it appeared to take several months before all employers were using the new withholding tables. Some taxpayers who make estimated payments would immediately adjust their estimated payments to reflect the new rates, but others would take time to make the adjustment. Taxpayers who adjust their estimated payments or have their withholding adjusted would pay less in the second half of FY 2016. Taxpayers whose payments are not adjusted would over-pay in the second half of FY 2016 and would receive larger refunds or make smaller payments with the TY 2016 returns they file in FY 2017. For these reasons, it is assumed that two-thirds of the revenue reduction expected for the second half of FY 2016 would occur in FY 2016 through lower payments and one-third would occur in FY 2017 through larger refunds and smaller payments with returns.

4. In later years, the reductions in tax year liability would be distributed evenly between fiscal years. The following table shows the changes in revenue for FY 2016 through FY 2019.

**Change in General Fund Revenue, SB 200 as Amended**

(\$ million)

<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
-\$17.389	-\$62.104	-\$55.664	-\$57.777

5. The department would make changes to tax returns and instructions as part of the normal annual update process with no change in costs.

	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>
<b><u>Fiscal Impact:</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b>Department of Revenue</b>				
<b><u>Expenditures:</u></b>				
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	<u>(\$17,389,000)</u>	<u>(\$62,140,000)</u>	<u>(\$55,664,000)</u>	<u>(\$57,777,000)</u>
<b>TOTAL Revenues</b>	<u>(\$17,389,000)</u>	<u>(\$62,140,000)</u>	<u>(\$55,664,000)</u>	<u>(\$57,777,000)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	<u>(\$17,389,000)</u>	<u>(\$62,140,000)</u>	<u>(\$55,664,000)</u>	<u>(\$57,777,000)</u>

*Sponsor's Initials*

*Date*

*Budget Director's Initials*

*Date*